

# DIAC TENTATIVE RECOMMENDATIONS

NUMBER	RECOMMENDATION	Page
<b>EXISTING PROGRAMS AND AUTHORITIES</b>		
1	The Committee recommends further work by USDA or some other entity to analyze the operations of the FMMO system, including, but not limited to, end-product pricing's impact on milk price volatility and impact of classified pricing and pooling on processing investment, competition and dairy product innovation.	42
2	This Committee recommends an ongoing examination of LGM-Dairy and an overhaul of AGR-Lite in order to make them more accessible and easier for dairy farmers to use.	47
3	The Secretary should work with the FSA in Washington and all state FSA Executive Directors and State Committee members, particularly those in states with significant numbers of dairy operations, to promote efficient and effective use of the FLP for dairy farmers. We especially encourage the use of the Guaranteed Loan Program with existing commercial lenders.	57
4	DEVELOP A SYSTEM THAT PROVIDES AN ACCURATE ASSESSMENT OF DAIRY FARM PROFITABILITY IN THE DAIRY INDUSTRY. A data gathering and reporting system should be developed that expresses farm profitability in the dairy industry using an index to provide an impartial overview of the general level of profitability at the farm level based on the milk price-feed cost margin.	62
5	The Secretary should develop a system of triggers and actions to guide his choices for special and emergency interventions, using existing programs.	69
<b>PRICE PROTECTION, STABILIZATION AND REGULATION</b>		
7	REVIEW FEDERAL MILK MARKETING ORDERS. The Secretary of Agriculture should appoint a committee to review implications of Federal Milk Marketing Orders, including their implications on volatility, inefficiency, and dairy farmer profitability, and to recommend reforms.	72
8	STRONGLY CONSIDER THE ELIMINATION OF END PRODUCT PRICING. Alternative measures to current end product pricing system such as, competitive pricing, and mandatory price reporting should be explored.	73
6	EXPLORE ELIMINATION OF THE DAIRY PRODUCT PRICE SUPPORT PROGRAM AND THE DAIRY EXPORT INCENTIVE PROGRAM AND USE BUDGET SAVINGS TO ENHANCE THE SAFETY NET FOR PRODUCERS.	72
9	COLLECT AND PUBLISH PRICE DATA. USDA should collect and publish data on alternative measures of a competitive pay price, considering but not limited to the proposals of the National Milk Producer Federation and Maine Dairy Industry Association.	73
10	ADOPT A GROWTH MANAGEMENT PROGRAM. The federal government should adopt a growth management program that allows new producers to enter and allows producers to expand production.	74
<b>INCOME PROTECTION AND STABILIZATION</b>		
11	SIMPLIFY AND IMPROVE RISK MANAGEMENT PRODUCTS FOR DAIRY FARMERS. USDA should continue to simplify and improve Livestock Gross Margin-Dairy and Adjusted Gross Revenue-Lite in order to make them more accessible and easier for dairy farmers to use and adapt Livestock Risk Protection for use by dairy farmers. Risk management education should be expanded.	81
12	ESTABLISH RISK MANAGEMENT MARGIN LINES OF CREDIT. USDA should establish credit facilities through their direct lending and credit guarantee programs for cooperative or proprietary first buyers of milk to cover the margin deposits required on contracts for risk management executed on behalf of producers of raw milk.	83

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14	ADOPT TAX-DEFERRED FARM SAVINGS ACCOUNTS. The tax law should be amended to allow dairy farm operators to create special tax-deferred savings accounts. These accounts should not be subject to matching government contributions and should not have a limit on dollars deferred per year. To be eligible, contributions must remain in the account for a minimum of six months; the account-holder can withdraw their funds at their own discretion thereafter. Payment of taxes on contributions and interest would occur in the tax year in which the funds are withdrawn.	93
13	MODIFY MILK INCOME LOSS CONTRACT PROGRAM AND PROVIDE A MARGIN INSURANCE OPTION using funds from the elimination of the DPPSP. We recommend the continuation of MILC, with a production cap based on available funds, with two important modifications: (1) use an all-milk income/feed cost margin trigger, and (2) provide an insurance program for production excluded by the cap to provide protection for larger producers.	87
<b>PROFITABILITY AND MARKET IMPROVEMENT</b>		
15	MAINTAIN AND EXPAND PROGRAMS FOR EXPORT MARKET DEVELOPMENT. Programs like the Market Access Program and the Foreign Market Development Program should be continued and expanded.	97
16	LOWER SOMATIC CELL COUNT LIMIT FOR GRADE A MILK. We recommend that the Secretary of Agriculture support the adoption of a maximum somatic cell count of Grade A milk in the amount of 400,000 cells per milliliter at the farm level at the Interstate Milk Shippers Conference. The implementation should occur over a period of time not to exceed 48 months.	100
18	RESTRICT USE OF DAIRY DESCRIPTORS ON PRODUCT LABELS. We recommend that USDA support restriction of dairy descriptors, including terms such as milk, cheese, yogurt, butter, for use on products made from milk.	106
20	PROVIDE INCENTIVE PAYMENTS FOR ENVIRONMENTAL PRACTICES. The Secretary of Agriculture should increase the amount of money available for incentive payments to dairy farmers for environmental practices that address social, economic and environmental benefits to dairy farm communities.	110
22	PHASE OUT ETHANOL SUBSIDIES. We support the rapid phase out of the blender's credit and tariff on imported ethanol.	120
21	CONTINUE THE EQIP AND GRANT PROGRAMS. The EQIP program should be continued, and dairy farmers should be given preference in grant programs for implementation of energy audits, infrastructure development for value-added processing and distribution facilities, construction of facilities to meet food safety regulations and farmland protection, and to allow beginning farmer loans for farm transfers between generations.	115
19	SUPPORT FOR VALUE-ADDED DAIRY. We recommend that the Secretary of Agriculture support programs that enhance value-added market development for dairy farms and dairy products. Opportunities should be explored including, but not limited to, the development of educational training programs and technical assistance for farms, inspectors, and regulatory personnel to accommodate unique value-added dairy farm operations. A study should be made to examine the impact of user fees on value-added dairy product operations.	107
17	ADOPT CALIFORNIA MILK SOLIDS STANDARDS FOR FLUID MILK.	102